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for file

MINUTES
ECONOMIC POLICY COUNCIL

February 14, 1986
1:00 p.m.
Roosevelt Room

Attendees: Messrs. Baker, Baldrige, Brock, Yeutter, Sprinkel, Whitehead, Darman, Burnley, Svahn, McAllister, Amstutz, Carlisle, Cornell, Daniels, Danzansky, Keating, Khedouri, Stucky, and Wallis, and Ms. Risque.

1. Textile Import Report

Mr. Keating stated that in the President's December 17 textile legislation veto message he directed Secretary Baker, as Chairman Pro Tempore of the Economic Policy Council, to investigate the extent to which textile and apparel imports have exceeded internationally negotiated limits. Mr. Keating explained that the Departments of Treasury, State and Commerce and the United States Trade Representative worked on the report that was being presented to the Council. He stated that although imports have doubled since 1980, the growth has not been the result of imports allowed in excess of established quotas. He stated that only one-tenth of one percent of the growth is attributable to fraud.

Mr. Keating explained that the growth is attributable to a number of factors, including imports from the EC, the "Big Three," and the new starters resulting from products not covered by quotas and surges in quota covered products. He explained that the report offers a number of recommendations for better administration of the program, with some of the more important recommendations being:

1. Customs should also place under import controls any textile or apparel category not already subject to such controls, as permitted by U.S. bilateral agreements, when Census dates show that imports in that category have reached 50 percent of the quota levels.
2. The Customs Commercial Fraud Enforcement program should be maintained at its current high priority level.
3. The Committee for Implementation of Textile Agreements (CITA) should investigate a category system with fewer, more broadly defined categories, which would decrease the opportunity for quota fraud.

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Minutes
Economic Policy Council
February 14, 1986
Page Two

4. CITA should analyze options for addressing the problems of handloomed and traditional products, including tighter definitions for inclusion in future bilateral agreements.
5. The Multifiber Arrangement should be expanded to cover fibers such as ramie and jute.

Secretary Baker emphasized that the study concluded that the growth in textiles was not due to poor administration or enforcement.

Decision

The Council agreed to forward the report to the President. Secretary Baker asked all agencies to notify Mr. McAllister if there were objections to the report's recommendations.

2. Textile Trade Policy

Ambassador Yeutter outlined a proposed textile trade strategy addressing the questions:

1. What should we seek from the "Big Three" -- Hong Kong, Korea and Taiwan?
2. How should we treat the European Economic Community?
3. How should we treat the poorer LDCs, including the CBI countries?
4. What should be the length of the new MFA?

Decision

The Council, after considerable discussion, agreed upon a textile trade strategy to recommend to the President.

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